

# 49.002 Applicability.

(a)

(1) This part applies to contracts that provide for termination for the convenience of the Government or for the default of the contractor (see also [12.403](#) and [13.302-4](#)).

(2) This part does not apply to commercial item contracts awarded using part [12](#) procedures. See [12.403](#) for termination policies for contracts for the acquisition of commercial items. However, for contracts for the acquisition of commercial items, this part provides administrative guidance which may be followed unless it is inconsistent with the requirements and procedures in [12.403](#), Termination, and the clause at [52.212-4](#), Contract Terms and Conditions-Commercial Items.

(b) Contractors shall use this part, unless inappropriate, to settle subcontracts terminated as a result of modification of prime contracts. The contracting officer shall use this part as a guide in evaluating settlements of subcontracts terminated for the convenience of a contractor whenever the settlement will be the basis of a proposal for reimbursement from the Government under a cost-reimbursement contract.

(c) The contracting officer may use this part in determining an equitable adjustment resulting from a modification under the Changes clause of any contract, except cost-reimbursement contracts.

(d) When action to be taken or authority to be exercised under this part depends upon the "amount" of the settlement proposal, that amount shall be determined by deducting from the gross settlement proposed the amounts payable for completed articles or work at the contract price and amounts for the settlement of subcontractor settlement proposals. Credits for retention or other disposal of termination inventory and amounts for advance or partial payments shall not be deducted.

**Parent topic:** [Part 49 - Termination of Contracts](#)